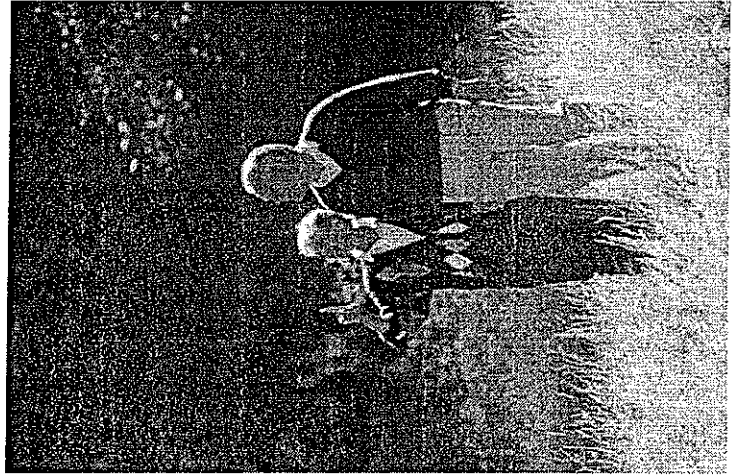


Office of Retirement Services

Serving more than 580,000 customers

Michigan Public School Employees Retirement System

April 13, 2011

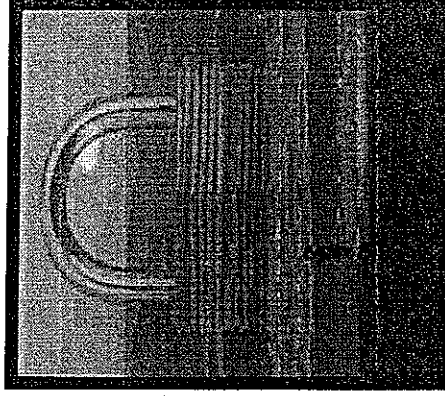
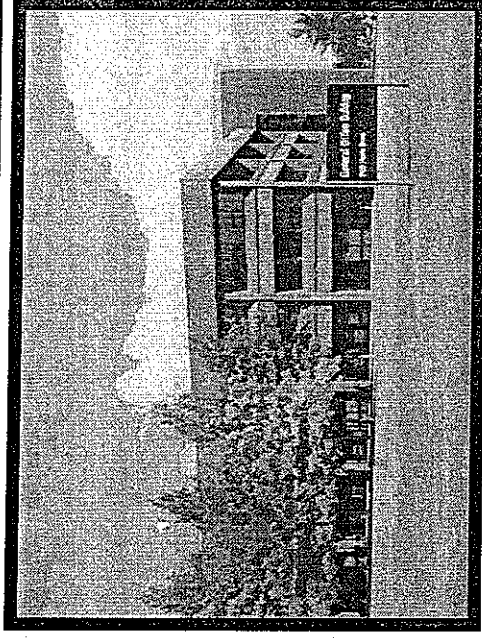


Office of Retirement Services

On behalf of over 800 Michigan public employers, the Office of Retirement Services (ORS) provides employee retirement and related retiree healthcare plans to attract, retain, and reward a highly qualified workforce.

Employers provide employees the means to cost-effectively save for their retirement from date of hire throughout employment. ORS informs and involves employees as they climb toward financial independence. When life happens, ORS is at their call, ready to deliver.

This service to our communities; with a means for a secure retirement, retirees are a stimulus to society and not dependent on others.



Office of Retirement Services



- ♦ Serving customers living in approximately 1 out of every 9 Michigan households; 1 out of every 18 Michigan residents.
- ♦ Paid \$5.6 billion in pension and health benefits in 2010.
- ♦ Each \$1 in state pensions paid to Michigan residents ultimately generates approximately \$1.58 in total output for the state. (source: Wayne State University Center for Urban Studies)
- ♦ The market value of the defined benefit's assets totals more than \$47 billion.*
 - 14th largest state pension system
- ♦ The market value of the 401(k)/457 plan assets totaled more than \$4.9 billion.*

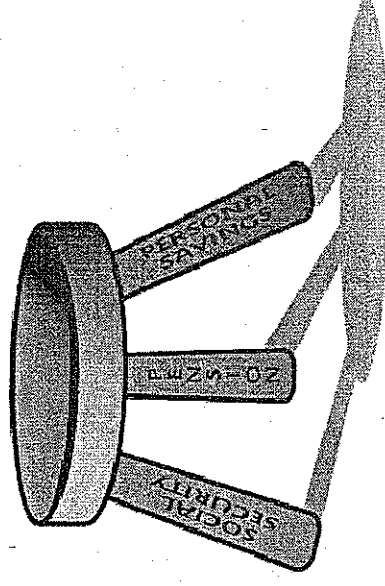
*As of Sept. 30, 2010.

History of Pensions

- ◆ First National pension system began in Germany in 1889
 - Otto Von Bismarck's Old Age and Disability Insurance Bill
 - Caused by increased longevity and the decreased productivity associated with old age
- ◆ US Military informal pensions began after the Revolutionary War
- ◆ First non-military pension recipients were police, firefighters, and teachers (1920s)

Building An Adequate Retirement Plan

- ♦ It is important to start planning when you begin working and save throughout your career.
- ♦ A balanced plan is key to a secure retirement.
 - Social Security
 - Pension
 - Personal Savings
 - Post-retirement employment is a fourth leg for retirees interested in reengaging in the workforce (or unfortunately, who may need to)
- ♦ It is good public policy to promote financial security in retirement.
- ♦ Retirement benefits are valuable to both employers and employees.
- ♦ Healthcare is a critical part of financial security in retirement.



What Happens Without An Adequate Retirement Plan?

- ◆ When Americans are unable to be self-sufficient in retirement, they:
 - Work indefinitely, for those who are physically able and can find a job.
 - Live in poverty.
 - Turn to outside assistance – Family, Government (taxpayers).
- ◆ Only 6 out of 10 Americans have an employer-sponsored retirement plan
- ◆ 83% of Americans are concerned about their ability to retire in the current economic environment. (Source: National Institute on Retirement Security)



2010 Retirement Reform – Act 75

- ♦ The retirement reform package is expected to save districts over \$515 million in fiscal year 2011, and nearly \$3.3 billion over the next 10 years.
- ♦ ORS received 17,063 applications for the retirement incentive.
- ♦ New employees hired to replace retirees will participate in a lower cost member-contributory retirement plan – Pension Plus, currently with more than 10,500 members.

+ Pension
+ Plus

2010 Retirement Reform – Act 75

- ♦ 3% Active Member Contribution to Retiree Health Care Fund
 - Contributions offset current retiree health costs
 - Establishes a 115 trust which allows contributions to be pre-tax
- ♦ Post-Retirement Earnings Limitations*
 - If yearly earnings exceed 1/3 of final average compensation, pension and health care subsidy are suspended until employment ceases

2007 Reform: Act 110 & 111

- ♦ Established health care premium subsidy based on career length
- ♦ Raised member contributions
- ♦ Closed loopholes

Public Schools Retirement Plan

Hired Pre- July 1, 2010

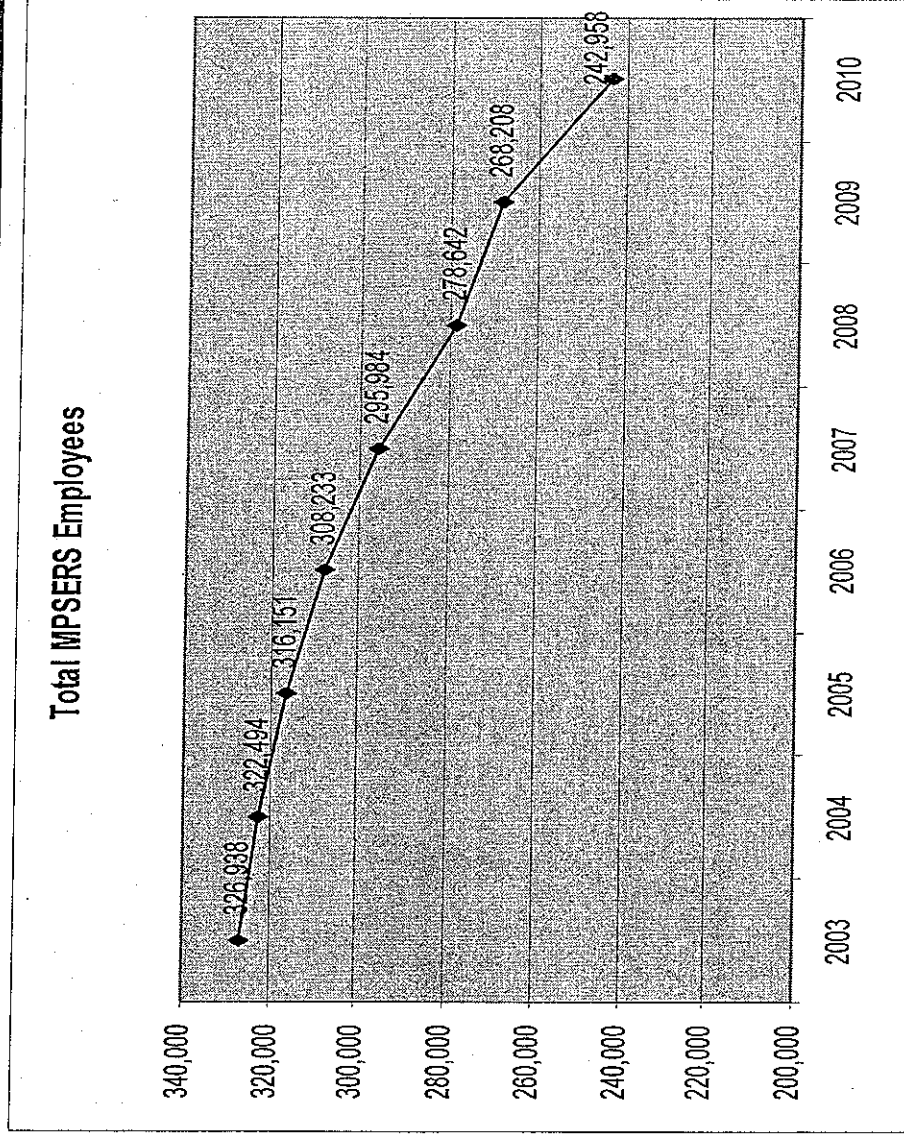
- ♦ Most members make contributions of up to 6.4% for wages, and 3% for retiree health care.
- ♦ Service credit purchases allowed.
- ♦ 3% annual cost-of-living adjustments.
- ♦ 8% assumed return on assets.
- ♦ Eligible to retire at any age with 30 years of service, or age 60 with 10 years of service
- ♦ Reduced benefits at age 55 with more than 15 but less than 30 years of service

Hired Post- July 1, 2010

- ♦ Members make contributions of up to 6.4% for wages, and 3% for retiree health care.
- ♦ Minimum retirement age of 60.
- ♦ No service credit purchases.
- ♦ No cost-of-living adjustments.
- ♦ 7% assumed return on assets.
- ♦ Hybrid members are automatically enrolled in the DC component.
 - The employer matches up to 1% of the employee contributions – for every \$2 contributed by the employee the employer matches \$1.

Major Challenges: Membership Erosion

- ◆ Declined from 327,000 in 2003 to 243,000 in 2010 (~26% decline in 7 years).
- ◆ As membership declines, the employer contribution rate automatically increases, even if the total dollar amount drops.
- ◆ If the 2010 population had remained at 2003 levels, the larger membership pool would have resulted in an FY 2011/2012 employer pension contribution rate around 5% lower than it otherwise will be.
 - Healthcare rate would be approximately 2% lower



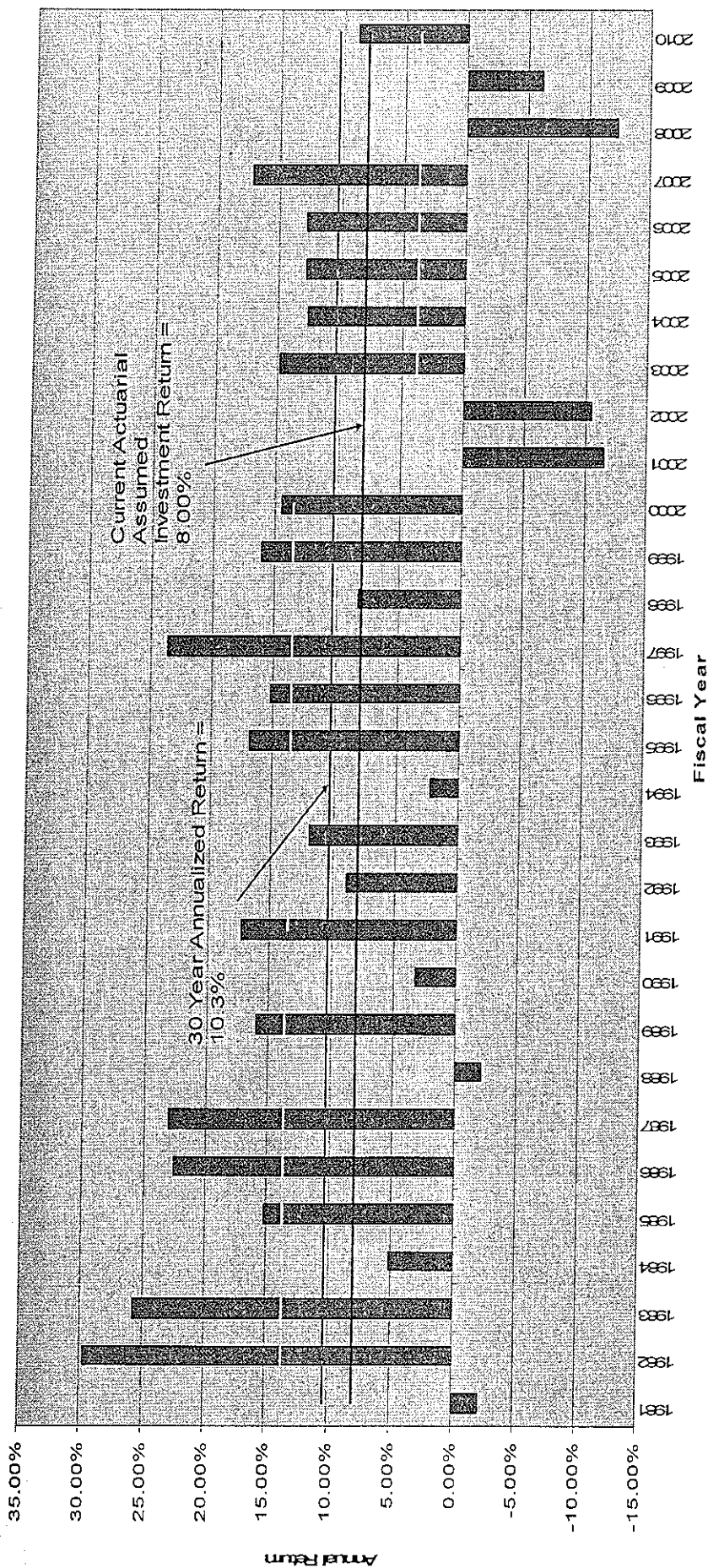
Major Challenges: 2008 and 2009

Investment Performance

- ◆ 5-year smoothing reduces employer rate volatility by spreading investment gains or losses over a 5-year period
- ◆ The stock market declines of 2008 and 2009 are still being felt, and will be for the next 3 years.
- ◆ Actuarial assumption of the investment performance is 8%*
 - 2010 return: 8.8%
 - 10 year average rate of return is 3.2%
 - 30 year average rate of return is 10.3%

MPERS Investment Performance

Investment Returns 1981-2010



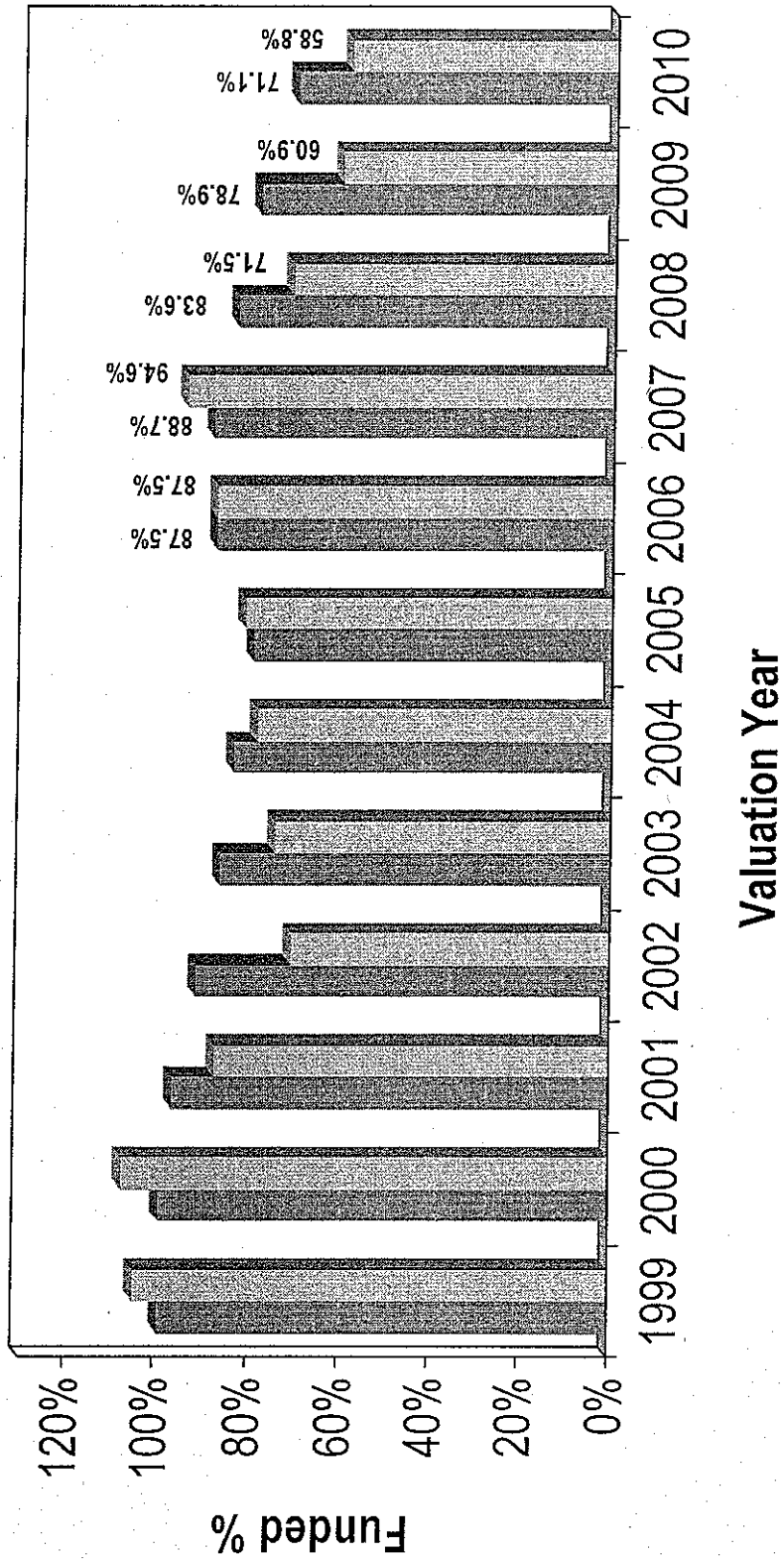
Public Schools – Actuarial Funding Level

- ♦ Assets = \$43.3 Billion
- ♦ Liabilities = \$60.9 Billion
- ♦ Funded Ratio = 71.1%

Average MPSERS Pension: \$20,300

* Figures are as of close of fiscal year, September 2010.

Funded Percentage Ratios



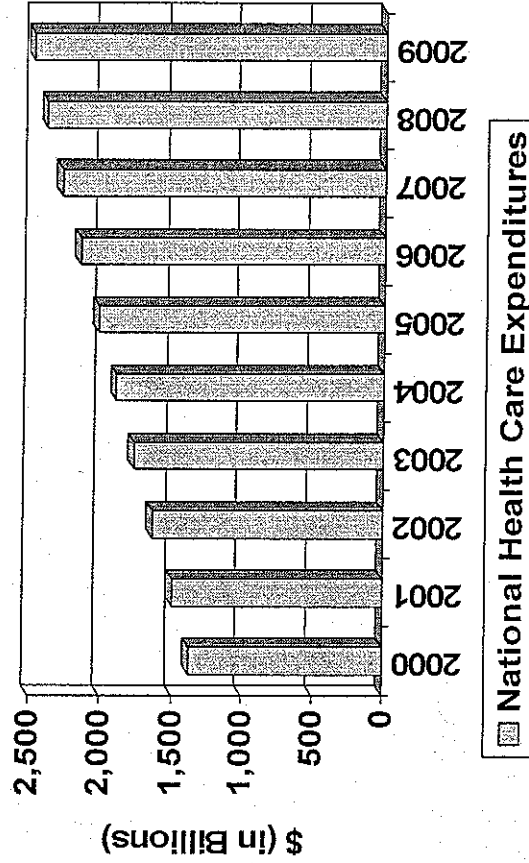
■ Funded % based on Actuarial Value ■ Funded % based on Market Value

Employer Contribution Rates

	FY 2011		FY 2012		FY 2013	
	Hired before 7/1/2010	Hired on or after 7/1/2010	Hired before 7/1/2010	Hired on or after 7/1/2010	Hired before 7/1/2010	Hired on or after 7/1/2010
Normal Cost	3.74%	2.24%	3.47%	2.24%	3.47%	2.24%
UAL	8.42%		12.49%		12.49%	
Ret. Incentive					2.66%	
Total Pension	12.16%	10.66%	15.96%	14.73%	18.62%	17.39%
Retiree Health*	8.50%		8.50%		8.75%	
Total Health & Pension	20.66%	19.16%	24.46%	23.23%	27.37%	26.14%

National Health Expenditures 2009

- ◆ \$2.5 trillion in total expenditures
- ◆ \$8,086 per capita (all age groups)
- ◆ 17.6% of Gross Domestic Product (GDP)
- ◆ Has outpaced the rest of the US economic growth since 2000



SOURCE: National Coalition on Health Care

Health Care Cost Drivers

- ◆ Aging of the population
 - Additional retirees
 - Early Retirement Incentive
- ◆ More health services available
 - Growing consumer demand for newest, best treatment
- ◆ Increasing cost of services
- ◆ Higher prescription drug costs
- ◆ Health care delivery system
 - Indirect costs associated with the uninsured
- ◆ Legislative mandates

MPERS Retiree Health

- ♦ Retirees and their eligible dependents may choose:
 - Medical, Prescription Drug, and Dental/Vision Insurance
- ♦ 130,000+ retirees – 205,000+ total covered lives
- ♦ Providers for coverage are: Blue Cross Blue Shield of Michigan, Delta Dental, Vision Service Plan, and HMOs in some locations

Retiree Health Care - The Funding Issue

- ◆ Unlike pensions, health care has not been pre-funded, but is funded on a “pay as you go” basis
 - No investment income to help pay the costs
- ◆ Each year, the employer must pay the full cost of retiree health care from their operating budgets
 - Costs rise as more members retire, and health inflation outpaces general inflation
- ◆ Pre-funding contribution rates have been calculated since 1999 – but pre-funding contributions have not been made

Governmental Accounting Standards Board

- ◆ Beginning with the 2007 CAFR, GASB Statements No. 43 and No. 45 specify how retiree health benefit liabilities and expenses are reported in financial statements
- ◆ The reported annual expense is called the Annual Required Contribution (ARC)
- ◆ If the employer fully funds the actuarially computed ARC, in a qualified trust with a long-term investment policy, then the liabilities and ARC are based on a long range investment return assumption (approx. 8%)
- ◆ If the employer only pays the cash benefits, with no pre-funding, the liabilities and ARC are based on a short term investment return assumption, like that earned on the employer's general accounts (approx. 4%) – and the liabilities and ARC are much larger

Public Schools – Health Costs

- ♦ 2010 Expenditures = \$705 million
- ♦ 2009 Unfunded Liability = \$16.8 billion*

Year	Health Expenditure per Retiree°
2005	\$6,794
2006	\$5,974
2007	\$5,460
2008	\$5,992
2009	\$6,333
2010	\$5,380

Member Premiums for Health Care

Pre 65 – Non-Medicare

- ♦ Pay an amount equal to Medicare Part B premiums, currently \$115.40 per month
 - 10% of total premium for dependents
- ♦ In addition, retirees pay the equivalent of 5% of the prescription drug expenditures: Currently \$120/retiree

Medicare – Post 65

- ♦ 10% of total premium for public school dependents
- ♦ In addition, retirees pay the equivalent of 5% of the prescription drug expenditures: Currently \$120/retiree

Average Premium per Retiree: \$889

Current Retiree Deductibles and Coinsurance

- ◆ Max. Deductible: \$400/person
- ◆ 10% co-insurance for most services
- ◆ Prescription Drugs
 - 20% coinsurance (\$36 max) if formulary
 - 40% coinsurance if non-formulary

Average Deductible/Coinsurance per Retiree: \$1,627

More details available online at:

http://www.michigan.gov/orsschools/0,1607,7-206-36504_36533_36535---,00.html

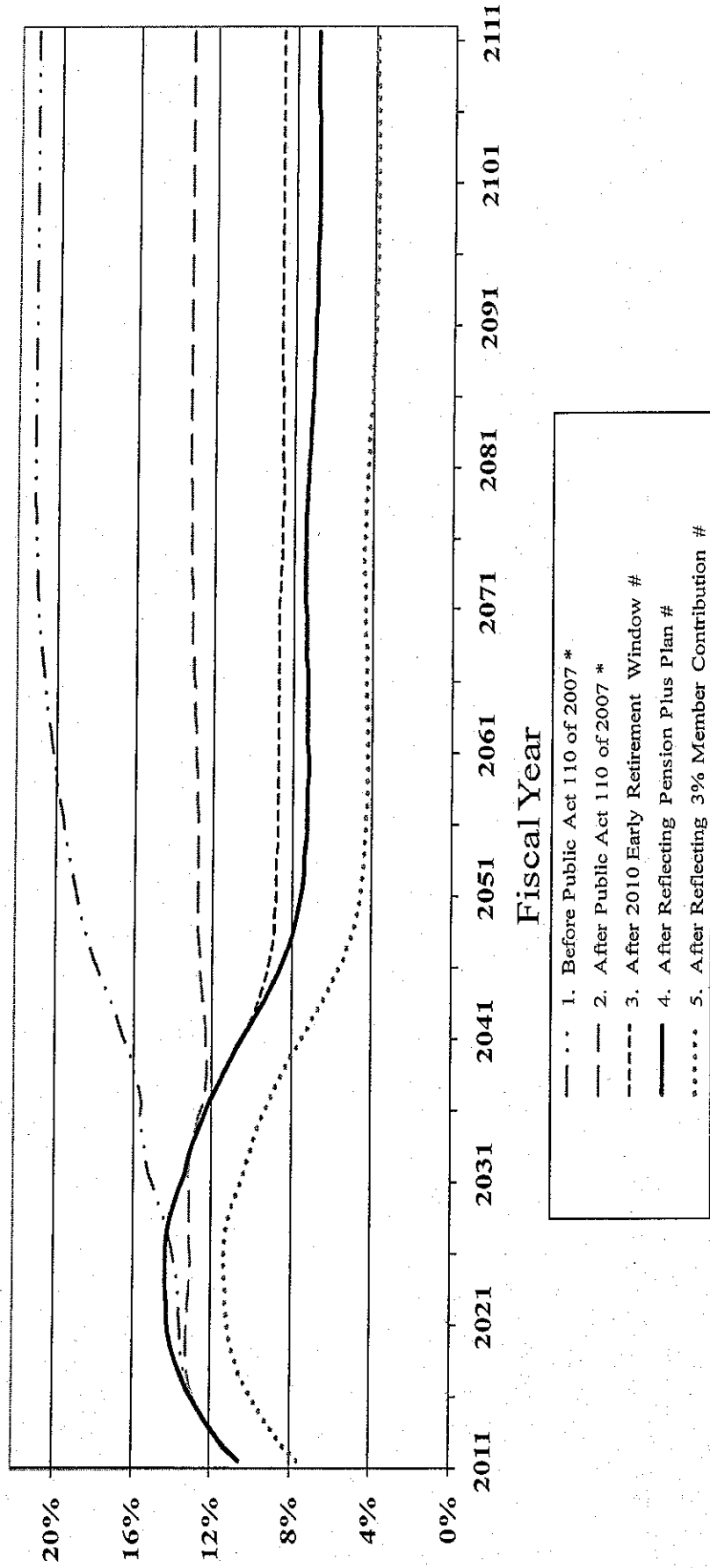
Cost Containment Initiatives

17 Initiatives have been implemented through the strategic planning process resulting in over \$1.05 billion in savings since 1992

- ♦ Moved to Non-Medicare Preferred Provider Organization (1996)
- ♦ Medicare Prescription Drug Subsidy (2006)
- ♦ Medicare Advantage participation (2007-09)
- ♦ Pharmacy Utilization Management (2008)
- ♦ Adjust Cost-Sharing Amounts (2010)
- ♦ Re-insurance (2011)

Public Schools Retiree Health Cost Projections

Employer Contribution Percentage - Cash Funding Basis

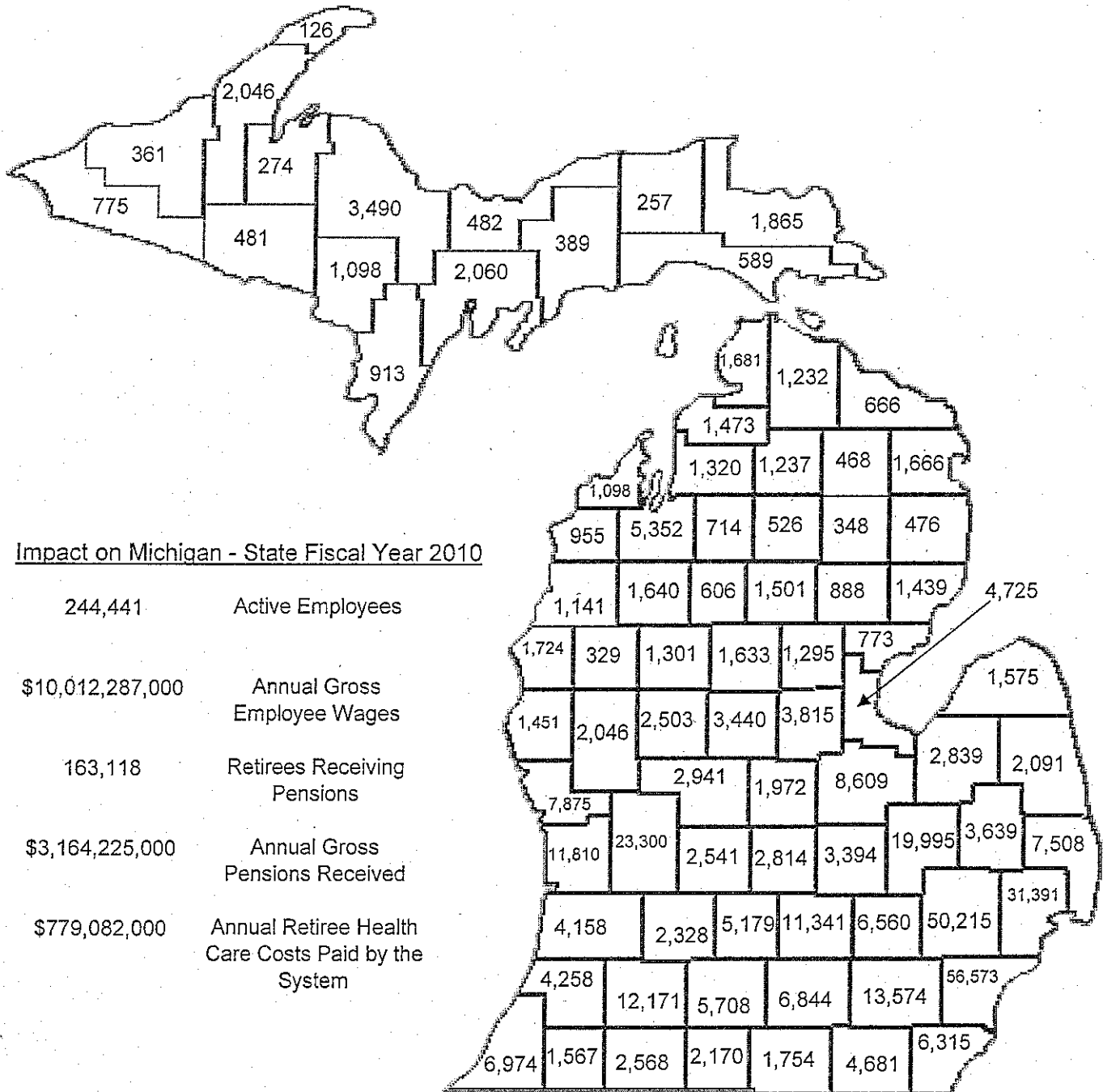


Employer contributions are shown as a percentage of active member payroll.

Questions

Michigan Public School Employees Retirement System

Combined total of active employees and pension recipients



Active Employees includes, as of 9/30/2010, all active workers reported to the Office of Retirement Services. Recent retirees are not included, and recent new hires may not yet be reflected.

Retirees receiving pensions also includes beneficiaries that are currently in receipt of a deceased retiree pension.

Health care costs are based on premiums paid. Health, dental, and vision are all included.

Retirees residing outside of Michigan are not included in this report. Active employees residing outside of Michigan are included in the total, but not in county-specific reports.

4/13/2011

Michigan Public School Employees Retirement System

System Data by County of Residence - State Fiscal Year 2010

Alcona		Antrim		Bay	
Active Employees:	152	Active Employees:	541	Active Employees:	2,835
Annual Gross Employee Wages:	\$5,754,000	Annual Gross Employee Wages:	\$18,025,000	Annual Gross Employee Wages:	\$109,341,000
Retirees Receiving Pensions:	324	Retirees Receiving Pensions:	779	Retirees Receiving Pensions:	1,890
Annual Gross Pensions Received:	\$5,595,000	Annual Gross Pensions Received:	\$16,756,000	Annual Gross Pensions Received:	\$35,881,000
Annual Retiree Health Care Costs Paid by the System:	\$1,510,000	Annual Retiree Health Care Costs Paid by the System:	\$4,250,000	Annual Retiree Health Care Costs Paid by the System:	\$9,026,000
Alger		Anac		Benzie	
Active Employees:	223	Active Employees:	383	Active Employees:	400
Annual Gross Employee Wages:	\$5,695,000	Annual Gross Employee Wages:	\$13,380,000	Annual Gross Employee Wages:	\$14,424,000
Retirees Receiving Pensions:	259	Retirees Receiving Pensions:	390	Retirees Receiving Pensions:	555
Annual Gross Pensions Received:	\$4,274,000	Annual Gross Pensions Received:	\$6,724,000	Annual Gross Pensions Received:	\$10,746,000
Annual Retiree Health Care Costs Paid by the System:	\$1,307,000	Annual Retiree Health Care Costs Paid by the System:	\$1,984,000	Annual Retiree Health Care Costs Paid by the System:	\$2,821,000
Allegan		Baraga		Berrien	
Active Employees:	2,582	Active Employees:	132	Active Employees:	4,112
Annual Gross Employee Wages:	\$87,872,000	Annual Gross Employee Wages:	\$4,056,000	Annual Gross Employee Wages:	\$145,855,000
Retirees Receiving Pensions:	1,576	Retirees Receiving Pensions:	142	Retirees Receiving Pensions:	2,862
Annual Gross Pensions Received:	\$26,156,000	Annual Gross Pensions Received:	\$2,363,000	Annual Gross Pensions Received:	\$45,897,000
Annual Retiree Health Care Costs Paid by the System:	\$8,512,000	Annual Retiree Health Care Costs Paid by the System:	\$775,000	Annual Retiree Health Care Costs Paid by the System:	\$14,026,000
Alpena		Barry		Branch	
Active Employees:	865	Active Employees:	1,359	Active Employees:	1,311
Annual Gross Employee Wages:	\$32,370,000	Annual Gross Employee Wages:	\$51,134,000	Annual Gross Employee Wages:	\$46,127,000
Retirees Receiving Pensions:	801	Retirees Receiving Pensions:	969	Retirees Receiving Pensions:	859
Annual Gross Pensions Received:	\$15,079,000	Annual Gross Pensions Received:	\$15,931,000	Annual Gross Pensions Received:	\$12,930,000
Annual Retiree Health Care Costs Paid by the System:	\$4,148,000	Annual Retiree Health Care Costs Paid by the System:	\$4,960,000	Annual Retiree Health Care Costs Paid by the System:	\$4,358,000

Michigan Public School Employees Retirement System

System Data by County of Residence - State Fiscal Year 2010

Calhoun

Active Employees: 3,358
Annual Gross Employee Wages: \$125,317,000
Retirees Receiving Pensions: 2,350
Annual Gross Pensions Received: \$42,734,000
Annual Retiree Health Care Costs Paid by the System: \$11,336,000

Chippewa

Active Employees: 967
Annual Gross Employee Wages: \$33,068,000
Retirees Receiving Pensions: 898
Annual Gross Pensions Received: \$15,471,000
Annual Retiree Health Care Costs Paid by the System: \$4,678,000

Delta

Active Employees: 1,076
Annual Gross Employee Wages: \$36,103,000
Retirees Receiving Pensions: 984
Annual Gross Pensions Received: \$17,136,000
Annual Retiree Health Care Costs Paid by the System: \$5,413,000

Cass

Active Employees: 973
Annual Gross Employee Wages: \$30,570,000
Retirees Receiving Pensions: 594
Annual Gross Pensions Received: \$9,069,000
Annual Retiree Health Care Costs Paid by the System: \$3,015,000

Clare

Active Employees: 805
Annual Gross Employee Wages: \$28,889,000
Retirees Receiving Pensions: 828
Annual Gross Pensions Received: \$12,156,000
Annual Retiree Health Care Costs Paid by the System: \$4,197,000

Dickinson

Active Employees: 577
Annual Gross Employee Wages: \$23,440,000
Retirees Receiving Pensions: 521
Annual Gross Pensions Received: \$8,450,000
Annual Retiree Health Care Costs Paid by the System: \$2,836,000

Charlevoix

Active Employees: 675
Annual Gross Employee Wages: \$27,571,000
Retirees Receiving Pensions: 798
Annual Gross Pensions Received: \$15,947,000
Annual Retiree Health Care Costs Paid by the System: \$4,443,000

Clinton

Active Employees: 1,824
Annual Gross Employee Wages: \$68,351,000
Retirees Receiving Pensions: 990
Annual Gross Pensions Received: \$17,379,000
Annual Retiree Health Care Costs Paid by the System: \$4,609,000

Eaton

Active Employees: 3,203
Annual Gross Employee Wages: \$117,865,000
Retirees Receiving Pensions: 1,976
Annual Gross Pensions Received: \$37,380,000
Annual Retiree Health Care Costs Paid by the System: \$9,392,000

Cheboygan

Active Employees: 587
Annual Gross Employee Wages: \$19,967,000
Retirees Receiving Pensions: 645
Annual Gross Pensions Received: \$12,442,000
Annual Retiree Health Care Costs Paid by the System: \$3,332,000

Crawford

Active Employees: 241
Annual Gross Employee Wages: \$8,543,000
Retirees Receiving Pensions: 285
Annual Gross Pensions Received: \$4,733,000
Annual Retiree Health Care Costs Paid by the System: \$1,393,000

Emmet

Active Employees: 907
Annual Gross Employee Wages: \$37,296,000
Retirees Receiving Pensions: 774
Annual Gross Pensions Received: \$16,160,000
Annual Retiree Health Care Costs Paid by the System: \$4,435,000

Michigan Public School Employees Retirement System

System Data by County of Residence - State Fiscal Year 2010

Genesee		Gratiot		Ingham	
Active Employees:	12,504	Active Employees:	1,169	Active Employees:	7,034
Annual Gross Employee Wages:	\$481,334,000	Annual Gross Employee Wages:	\$41,342,000	Annual Gross Employee Wages:	\$285,002,000
Retirees Receiving Pensions:	7,491	Retirees Receiving Pensions:	803	Retirees Receiving Pensions:	4,307
Annual Gross Pensions Received:	\$154,236,000	Annual Gross Pensions Received:	\$11,761,000	Annual Gross Pensions Received:	\$87,276,000
Annual Retiree Health Care Costs Paid by the System:	\$30,779,000	Annual Retiree Health Care Costs Paid by the System:	\$4,043,000	Annual Retiree Health Care Costs Paid by the System:	\$18,798,000
Gladwin		Hillsdale		Ionia	
Active Employees:	631	Active Employees:	1,009	Active Employees:	1,654
Annual Gross Employee Wages:	\$20,029,000	Annual Gross Employee Wages:	\$36,946,000	Annual Gross Employee Wages:	\$56,675,000
Retirees Receiving Pensions:	664	Retirees Receiving Pensions:	745	Retirees Receiving Pensions:	887
Annual Gross Pensions Received:	\$10,429,000	Annual Gross Pensions Received:	\$11,943,000	Annual Gross Pensions Received:	\$13,942,000
Annual Retiree Health Care Costs Paid by the System:	\$3,151,000	Annual Retiree Health Care Costs Paid by the System:	\$3,940,000	Annual Retiree Health Care Costs Paid by the System:	\$4,138,000
Gogebic		Houghton		Iosco	
Active Employees:	389	Active Employees:	1,019	Active Employees:	564
Annual Gross Employee Wages:	\$13,847,000	Annual Gross Employee Wages:	\$39,468,000	Annual Gross Employee Wages:	\$21,115,000
Retirees Receiving Pensions:	386	Retirees Receiving Pensions:	1,027	Retirees Receiving Pensions:	875
Annual Gross Pensions Received:	\$6,778,000	Annual Gross Pensions Received:	\$14,840,000	Annual Gross Pensions Received:	\$15,034,000
Annual Retiree Health Care Costs Paid by the System:	\$2,112,000	Annual Retiree Health Care Costs Paid by the System:	\$5,490,000	Annual Retiree Health Care Costs Paid by the System:	\$4,170,000
Grand Traverse		Huron		Iron	
Active Employees:	2,999	Active Employees:	771	Active Employees:	193
Annual Gross Employee Wages:	\$102,713,000	Annual Gross Employee Wages:	\$29,104,000	Annual Gross Employee Wages:	\$7,059,000
Retirees Receiving Pensions:	2,353	Retirees Receiving Pensions:	804	Retirees Receiving Pensions:	288
Annual Gross Pensions Received:	\$44,558,000	Annual Gross Pensions Received:	\$14,241,000	Annual Gross Pensions Received:	\$4,426,000
Annual Retiree Health Care Costs Paid by the System:	\$12,030,000	Annual Retiree Health Care Costs Paid by the System:	\$4,142,000	Annual Retiree Health Care Costs Paid by the System:	\$1,553,000

Michigan Public School Employees Retirement System

System Data by County of Residence - State Fiscal Year 2010

Isabella

Active Employees: 1,879
Annual Gross Employee Wages: \$72,354,000
Retirees Receiving Pensions: 1,561
Annual Gross Pensions Received: \$25,404,000
Annual Retiree Health Care Costs Paid by the System: \$7,393,000

Kent

Active Employees: 15,136
Annual Gross Employee Wages: \$619,943,000
Retirees Receiving Pensions: 8,164
Annual Gross Pensions Received: \$154,642,000
Annual Retiree Health Care Costs Paid by the System: \$42,103,000

Leelanau

Active Employees: 466
Annual Gross Employee Wages: \$17,301,000
Retirees Receiving Pensions: 632
Annual Gross Pensions Received: \$14,217,000
Annual Retiree Health Care Costs Paid by the System: \$3,327,000

Jackson

Active Employees: 4,089
Annual Gross Employee Wages: \$156,975,000
Retirees Receiving Pensions: 2,755
Annual Gross Pensions Received: \$48,921,000
Annual Retiree Health Care Costs Paid by the System: \$13,206,000

Keweenaw

Active Employees: 61
Annual Gross Employee Wages: \$1,852,000
Retirees Receiving Pensions: 65
Annual Gross Pensions Received: \$910,000
Annual Retiree Health Care Costs Paid by the System: \$340,000

Lenawee

Active Employees: 2,756
Annual Gross Employee Wages: \$111,042,000
Retirees Receiving Pensions: 1,925
Annual Gross Pensions Received: \$33,141,000
Annual Retiree Health Care Costs Paid by the System: \$10,026,000

Kalamazoo

Active Employees: 7,554
Annual Gross Employee Wages: \$281,502,000
Retirees Receiving Pensions: 4,617
Annual Gross Pensions Received: \$80,855,000
Annual Retiree Health Care Costs Paid by the System: \$21,484,000

Lake

Active Employees: 114
Annual Gross Employee Wages: \$4,098,000
Retirees Receiving Pensions: 215
Annual Gross Pensions Received: \$3,238,000
Annual Retiree Health Care Costs Paid by the System: \$1,042,000

Livingston

Active Employees: 4,220
Annual Gross Employee Wages: \$187,076,000
Retirees Receiving Pensions: 2,340
Annual Gross Pensions Received: \$48,625,000
Annual Retiree Health Care Costs Paid by the System: \$11,743,000

Kalkaska

Active Employees: 330
Annual Gross Employee Wages: \$10,612,000
Retirees Receiving Pensions: 384
Annual Gross Pensions Received: \$6,187,000
Annual Retiree Health Care Costs Paid by the System: \$1,780,000

Lapeer

Active Employees: 2,174
Annual Gross Employee Wages: \$86,032,000
Retirees Receiving Pensions: 1,465
Annual Gross Pensions Received: \$27,547,000
Annual Retiree Health Care Costs Paid by the System: \$7,010,000

Luce

Active Employees: 109
Annual Gross Employee Wages: \$4,446,000
Retirees Receiving Pensions: 148
Annual Gross Pensions Received: \$2,585,000
Annual Retiree Health Care Costs Paid by the System: \$724,000

Michigan Public School Employees Retirement System

System Data by County of Residence - State Fiscal Year 2010

Mackinac

Active Employees: 251
Annual Gross Employee Wages: \$8,690,000
Retirees Receiving Pensions: 338
Annual Gross Pensions Received: \$6,293,000
Annual Retiree Health Care Costs Paid by the System: \$1,644,000

Mason

Active Employees: 919
Annual Gross Employee Wages: \$35,643,000
Retirees Receiving Pensions: 805
Annual Gross Pensions Received: \$14,651,000
Annual Retiree Health Care Costs Paid by the System: \$4,219,000

Missaukee

Active Employees: 313
Annual Gross Employee Wages: \$10,784,000
Retirees Receiving Pensions: 293
Annual Gross Pensions Received: \$4,856,000
Annual Retiree Health Care Costs Paid by the System: \$1,551,000

Macomb

Active Employees: 20,622
Annual Gross Employee Wages: \$865,671,000
Retirees Receiving Pensions: 10,769
Annual Gross Pensions Received: \$219,679,000
Annual Retiree Health Care Costs Paid by the System: \$50,252,000

Mecosta

Active Employees: 1,111
Annual Gross Employee Wages: \$48,731,000
Retirees Receiving Pensions: 1,392
Annual Gross Pensions Received: \$22,984,000
Annual Retiree Health Care Costs Paid by the System: \$6,883,000

Monroe

Active Employees: 4,111
Annual Gross Employee Wages: \$157,082,000
Retirees Receiving Pensions: 2,204
Annual Gross Pensions Received: \$37,106,000
Annual Retiree Health Care Costs Paid by the System: \$9,950,000

Manistee

Active Employees: 538
Annual Gross Employee Wages: \$19,712,000
Retirees Receiving Pensions: 603
Annual Gross Pensions Received: \$10,846,000
Annual Retiree Health Care Costs Paid by the System: \$3,116,000

Menominee

Active Employees: 492
Annual Gross Employee Wages: \$14,045,000
Retirees Receiving Pensions: 421
Annual Gross Pensions Received: \$6,046,000
Annual Retiree Health Care Costs Paid by the System: \$2,425,000

Montcalm

Active Employees: 1,693
Annual Gross Employee Wages: \$57,509,000
Retirees Receiving Pensions: 1,248
Annual Gross Pensions Received: \$19,172,000
Annual Retiree Health Care Costs Paid by the System: \$6,383,000

Marquette

Active Employees: 1,696
Annual Gross Employee Wages: \$58,567,000
Retirees Receiving Pensions: 1,794
Annual Gross Pensions Received: \$31,023,000
Annual Retiree Health Care Costs Paid by the System: \$9,360,000

Midland

Active Employees: 2,182
Annual Gross Employee Wages: \$89,837,000
Retirees Receiving Pensions: 1,633
Annual Gross Pensions Received: \$30,605,000
Annual Retiree Health Care Costs Paid by the System: \$8,335,000

Montmorency

Active Employees: 152
Annual Gross Employee Wages: \$5,373,000
Retirees Receiving Pensions: 316
Annual Gross Pensions Received: \$5,265,000
Annual Retiree Health Care Costs Paid by the System: \$1,641,000

Michigan Public School Employees Retirement System

System Data by County of Residence - State Fiscal Year 2010

Muskegon

Active Employees: 4,559
Annual Gross Employee Wages: \$168,622,000
Retirees Receiving Pensions: 3,316
Annual Gross Pensions Received: \$59,600,000
Annual Retiree Health Care Costs Paid by the System: \$16,378,000

Ogemaw

Active Employees: 473
Annual Gross Employee Wages: \$14,745,000
Retirees Receiving Pensions: 415
Annual Gross Pensions Received: \$6,455,000
Annual Retiree Health Care Costs Paid by the System: \$2,086,000

Otsego

Active Employees: 625
Annual Gross Employee Wages: \$23,513,000
Retirees Receiving Pensions: 612
Annual Gross Pensions Received: \$11,540,000
Annual Retiree Health Care Costs Paid by the System: \$3,198,000

Newaygo

Active Employees: 1,185
Annual Gross Employee Wages: \$44,132,000
Retirees Receiving Pensions: 861
Annual Gross Pensions Received: \$14,086,000
Annual Retiree Health Care Costs Paid by the System: \$4,660,000

Ontonagon

Active Employees: 160
Annual Gross Employee Wages: \$4,729,000
Retirees Receiving Pensions: 201
Annual Gross Pensions Received: \$3,006,000
Annual Retiree Health Care Costs Paid by the System: \$1,064,000

Ottawa

Active Employees: 7,642
Annual Gross Employee Wages: \$293,818,000
Retirees Receiving Pensions: 4,168
Annual Gross Pensions Received: \$77,566,000
Annual Retiree Health Care Costs Paid by the System: \$22,593,000

Oakland

Active Employees: 30,022
Annual Gross Employee Wages: \$1,515,279,000
Retirees Receiving Pensions: 20,193
Annual Gross Pensions Received: \$469,445,000
Annual Retiree Health Care Costs Paid by the System: \$97,036,000

Osceola

Active Employees: 687
Annual Gross Employee Wages: \$24,021,000
Retirees Receiving Pensions: 614
Annual Gross Pensions Received: \$9,632,000
Annual Retiree Health Care Costs Paid by the System: \$3,213,000

Presque Isle

Active Employees: 273
Annual Gross Employee Wages: \$9,823,000
Retirees Receiving Pensions: 388
Annual Gross Pensions Received: \$6,669,000
Annual Retiree Health Care Costs Paid by the System: \$1,946,000

Oceana

Active Employees: 786
Annual Gross Employee Wages: \$26,413,000
Retirees Receiving Pensions: 665
Annual Gross Pensions Received: \$12,029,000
Annual Retiree Health Care Costs Paid by the System: \$3,608,000

Oscoda

Active Employees: 175
Annual Gross Employee Wages: \$5,640,000
Retirees Receiving Pensions: 173
Annual Gross Pensions Received: \$2,364,000
Annual Retiree Health Care Costs Paid by the System: \$840,000

Roscommon

Active Employees: 623
Annual Gross Employee Wages: \$24,242,000
Retirees Receiving Pensions: 878
Annual Gross Pensions Received: \$14,044,000
Annual Retiree Health Care Costs Paid by the System: \$4,328,000

Michigan Public School Employees Retirement System

System Data by County of Residence - State Fiscal Year 2010

Saginaw

Active Employees: 5,123
 Annual Gross Employee Wages: \$184,043,000
 Retirees Receiving Pensions: 3,486
 Annual Gross Pensions Received: \$65,210,000
 Annual Retiree Health Care Costs Paid by the System: \$15,482,000

Schoolcraft

Active Employees: 192
 Annual Gross Employee Wages: \$5,247,000
 Retirees Receiving Pensions: 197
 Annual Gross Pensions Received: \$3,418,000
 Annual Retiree Health Care Costs Paid by the System: \$996,000

Washtenaw

Active Employees: 8,620
 Annual Gross Employee Wages: \$383,829,000
 Retirees Receiving Pensions: 4,954
 Annual Gross Pensions Received: \$110,569,000
 Annual Retiree Health Care Costs Paid by the System: \$22,608,000

Saint Clair

Active Employees: 4,506
 Annual Gross Employee Wages: \$194,856,000
 Retirees Receiving Pensions: 3,002
 Annual Gross Pensions Received: \$57,311,000
 Annual Retiree Health Care Costs Paid by the System: \$14,624,000

Shiawassee

Active Employees: 2,131
 Annual Gross Employee Wages: \$76,160,000
 Retirees Receiving Pensions: 1,263
 Annual Gross Pensions Received: \$22,244,000
 Annual Retiree Health Care Costs Paid by the System: \$5,931,000

Wayne

Active Employees: 33,845
 Annual Gross Employee Wages: \$1,506,959,000
 Retirees Receiving Pensions: 22,728
 Annual Gross Pensions Received: \$482,711,000
 Annual Retiree Health Care Costs Paid by the System: \$94,585,000

Saint Joseph

Active Employees: 1,514
 Annual Gross Employee Wages: \$52,655,000
 Retirees Receiving Pensions: 1,054
 Annual Gross Pensions Received: \$16,345,000
 Annual Retiree Health Care Costs Paid by the System: \$5,464,000

Tuscola

Active Employees: 1,727
 Annual Gross Employee Wages: \$62,020,000
 Retirees Receiving Pensions: 1,112
 Annual Gross Pensions Received: \$18,290,000
 Annual Retiree Health Care Costs Paid by the System: \$5,330,000

Wexford

Active Employees: 961
 Annual Gross Employee Wages: \$33,170,000
 Retirees Receiving Pensions: 679
 Annual Gross Pensions Received: \$11,758,000
 Annual Retiree Health Care Costs Paid by the System: \$3,814,000

Sanilac

Active Employees: 1,209
 Annual Gross Employee Wages: \$40,597,000
 Retirees Receiving Pensions: 882
 Annual Gross Pensions Received: \$14,811,000
 Annual Retiree Health Care Costs Paid by the System: \$4,661,000

Van Buren

Active Employees: 2,747
 Annual Gross Employee Wages: \$92,246,000
 Retirees Receiving Pensions: 1,511
 Annual Gross Pensions Received: \$23,471,000
 Annual Retiree Health Care Costs Paid by the System: \$7,598,000

Michigan Public School Employees Retirement System At A Glance

Defined Benefit Plan (for members hired before July 1, 2010)

- Regular retirement eligibility: 30 years of service & out; 10 years of service & age 60
- Pension calculation: 1.5% of 3-year final average compensation times years of service
- Employee (3.0-6.4%) and employer contributions fund the pension
- 8% assumed rate of investment return
- Ability to purchase service credit
- Additional provisions
 - Early reduced eligibility at 55
 - Death and disability pensions

Hybrid Plan (for members hired on or after July 1, 2010)

- Defined Benefit component
 - Retirement eligibility: 60 years of age
 - Pension calculation: 1.5% of final average compensation times years of service
 - 5-year final average compensation
 - Employee contribution for DB component matches current Member Investment Plan rates (up to 6.4%)
 - More conservative 7% assumed rate of investment return results in more stable employer contribution rates
- Defined Contribution component
 - Automatic enrollment in 2% employee contribution (can opt out)
 - 50% employer match of contributions up to 1% maximum

Retiree Health Insurance (for all members upon retirement)

Health Plan and Prescription Drug Coverage

- \$400 per-person deductible
- 90% payment in-hospital
- 90% payment outpatient
- 90% payment for hearing aid
- Prescription drugs
 - 20% copay (\$7 min/\$36 max for one month supply; \$17.50 min/\$90 max for three month supply)
- Out of pocket maximums
 - \$700 per member for health services
 - \$1000 per member for prescription drugs
- For Medicare recipients, the retiree health plan pays secondary to Medicare.
- Premium costs are split between the retirement system and the retirees. Public school employees first hired on or after July 1, 2008, receive a graded premium subsidy, under which the premium subsidy received corresponds with career length.

*Note: This document provides a brief overview of plan provisions.



Michigan Public School Employees' Retirement System

Background

In 1975 the Legislature authorized a retiree health plan to provide comprehensive hospitalization and medical coverage for retirees of Michigan public schools. In fiscal year 2010 the plan covered over 140,000 retirees and their families with expenditures of \$705 million.

In the early 1990s, a formal strategic planning process was started. The plan's mission is to ensure a high quality health care plan that is affordable to both members and the schools. A quality goal was established to "measurably improve the quality of care enjoyed by members" and a cost goal to "limit the rate of per capita cost growth to the compound rate of inflation."

Long Term Funding

The retirement system's potential unfunded liability for retiree health care has been reported in the Comprehensive Annual Financial Report (CAFR) since 1999. The reported potential unfunded health care liabilities for FY 2009 were \$16.8 billion. Without the cost savings measures initiated by the Department of Technology, Management and Budget and the Retirement Board, this potential unfunded liability would be significantly higher.

MPSERS Health Plan Cost Savings Initiatives

Initiative	Implementation Date	Description
5-1	4/1/1995	Cardiac Centers of Excellence
5-2	1/1/1995	Pursue and Pay Coordination of Benefits
5-3	1/1/1995	Interplan Teleprocessing Services
5-4	7/1/1995	Comprehensive Deductible \$95/\$190
5-5	1/1/1996	Preferred Provider Organization
5-6	1996	Health Education and Wellness
5-7	11/1/1997	HMO Pilot Program
5-8	1/1/1998	Nurse Health Information Service
5-9	9/1/1997	Prescription Drug Co-Payment Update
5-10	1/1/1999	Dental Plan Update
5-11	1/1/1999	Deductible Update
5-12	4/1/2000	Year 2000 Update
5-13	1/1/2005	Year 2004 Initiative
5-14	1/1/2006	Integrated Hospital, Medical, and Drug Plan
5-15	1/1/2008	Pharmacy Utilization Management
5-16	1/1/2010	Adjusted Cost-Sharing Amounts
5-17	1/1/2011	Federal Reinsurance